



**BUSINESS  
SCHOOL**

# **2019 M&A MONITOR**

## **SHEDDING LIGHT ON M&A IN BELGIUM**

CREATED BY THE CENTRE  
FOR MERGERS, ACQUISITIONS  
AND BUYOUTS

 Banque • Bank  
J. Van Breda & Co°

 **BDO**

 **Gimv**

•  **NautaDutilh**

 **SOWaccess**  
GROUPE SOWALFIN

## ACKNOWLEDGMENTS

This report was prepared by Mathieu Luypaert, Professor of Corporate Finance and M&A at Vlerick Business School and Gianni Spolverato, Research Associate at the Centre for Mergers, Acquisitions and Buyouts.

The authors thank all survey respondents for their participation and, in particular, Hugo Bovesse, Jan Camerlynck, Veerle Catry, Wouter De Maeseneire, Marie Depelssemaker, Dirk Dewals, Wannes Gheysen, Elke Janssens, Sophie Manigart, Thomas Matthys, Miguel Meuleman, Hans Vanoorbeek, Alexander Veithen, Eric Verbaere, David Veredas and Laurent Wenric.

The administrative support of Cloé De Moor is highly appreciated, and all members of Vlerick's Accounting & Finance Area are thanked warmly for their valuable input and feedback.

Please direct questions and comments about this report via email to: **[mathieu.luypaert@vlerick.com](mailto:mathieu.luypaert@vlerick.com)** or **[gianni.spolverato@vlerick.com](mailto:gianni.spolverato@vlerick.com)**.

The insights presented in this report are based on survey results provided to Vlerick Business School. This report reflects the views and opinions of the survey respondents – not necessarily those of Vlerick Business School or of its partners. Vlerick Business School has copyrighted this work, and it may not be published, transmitted, broadcasted, copied, reproduced or reprinted in whole or in part without the explicit written permission of Vlerick Business School.

Copyright © 2019 Vlerick Business School  
All rights reserved

# CONTENTS

PAGE 3	<b>EXECUTIVE SUMMARY</b>
PAGE 4	<b>METHOD</b>
PAGE 5	<b>ABOUT THE RESPONDENTS</b>
PAGE 6	<b>THE EVOLUTION OF THE BELGIAN M&amp;A MARKET</b>
PAGE 12	<b>MOTIVES</b>
PAGE 15	<b>VALUATION</b>
PAGE 19	<b>DEAL STRUCTURING &amp; FINANCING</b>
PAGE 24	<b>DEAL PROCESS</b>
PAGE 26	<b>TRENDS &amp; CHALLENGES</b>
PAGE 28	<b>FINAL THOUGHTS</b>



# ABOUT THE CENTRE FOR MERGERS, ACQUISITIONS AND BUYOUTS

Vlerick Business School's Centre for Mergers, Acquisitions and Buyouts develops and disseminates knowledge concerning best practices in the entire M&A field – from deal origination to completion, from financing to integration. The Centre reaches out to key decision-makers and influencers in an M&A process as well as to professional advisors and intermediaries. Founded in 2016, the Centre incorporates all of the activities of the Platform for Entrepreneurial Buyouts, including the annual Buy Your Own Company Conference and the Buyout Academy. Its activities are supported by Bank J.Van Breda & C°, BDO, Gimv, NautaDutilh and Sowaccess.



**BANK J.VAN BRED & C°** is a specialised bank focusing exclusively on family businesses and the

liberal professions, covering both professional and private needs throughout the client's lifetime. We assist our clients in systematically building up, managing and protecting their assets. Our clients can count on us for personal, specialised and proactive advice. Bank J.Van Breda & C° is a 100% Belgian bank and is part of the group Ackermans & van Haaren.



**BDO** is an international consultancy organisation with a strong reputation in financial services (Audit, Corporate

Finance, Accounting, Tax & Legal) and other specialised advice, including Strategy & Organisation, People, Interim Management, Digital and Risk. The BDO approach is honest, hands-on and pragmatic and focusses on the needs of the customer. In Belgium, BDO has more than 700 partners and staff working out of 11 offices. BDO is part of a strong international network with about 80,000 partners and staff active in more than 160 countries.



Building leading companies.

**Gimv** is a European investment company with almost four decades of experience in private equity and venture capital. Listed on Euronext Brussels, Gimv currently manages around €1.6 billion of investments in about 50 portfolio companies. As a recognised market leader in selected investment platforms, Gimv identifies entrepreneurial and innovative companies with high-growth potential and supports them in their transformation into market leaders. These companies can be in different stages of their life cycle: from young companies with strong growth potential, to healthy and established companies

with the ambition of becoming a trendsetter. Gimv's four investment platforms are: Connected Consumer, Health & Care, Smart Industries, and Sustainable Cities. Each of these platforms works with an experienced team across Gimv's home markets of the Benelux, France and Germany and can count on an extensive international network of experts.

## ● **NautaDutilh**

**NautaDutilh** is an international law firm with offices in Amsterdam,

Brussels, London, Luxembourg, New York and Rotterdam. Founded in 1994, the Brussels office has become an important player in the Belgian legal market, with the capability to handle the most complex cases. Focusing on seven sectors (financial Institutions, real estate & infrastructure, energy & natural resources, life sciences, BeTech, private equity and professional services) it is able to offer its clients tailor-made solutions based on a thorough knowledge of all relevant markets.



**SOWACCESS** ("Société Wallonne d'Acquisition et de Cession d'Entreprises"), a subsidiary of the

SOWALFIN Group, is the Walloon government company that aims to facilitate the transfer and acquisition of SMEs. It provides information and raises awareness about the sale and acquisition of businesses among potential sellers and buyers. Furthermore, it facilitates contact between both parties in the most confidential manner, through the management of various matching platforms, combined with cross-border partnerships and initiatives. In collaboration with a wide network of private advisors (certified by their independent Ethics Committee), Sowaccess guarantees that all buyers and sellers receive the required support, while maintaining the highest standards in terms of quality, neutrality and independence.



# EXECUTIVE SUMMARY

## All good things must come to an end...

This phrase also holds in M&A markets that have historically been characterized by a wave pattern. While the most recent global wave started around five years ago, **a turning point might have been reached**. The global amount spent on acquisitions increased further in 2018 to almost \$4 trillion, despite a very strong drop in deal volume during the final quarter. The sudden plunge in deal activity seems to be driven by political and economic uncertainties rather than financial constraints, with a cost of borrowing staying at a historically low level and dry powder at private equity funds reaching a record level of \$2 trillion (Bain & Company Global PE report). The results of our own Belgian M&A monitor confirm that deal activity surged in 2018 but, at the same time, the surveyed experts largely expect a stabilising market in the year to come.

Interestingly, some remarkable changes can be observed in motives driving Belgian M&A transactions. Whereas realising economies of scale stays the number one acquisition reason, other motives, like **gaining new technologies and attracting talent (or “acqui-hires”)**, have increased significantly in importance over the past years. Deal drivers in private equity transactions remain constant with a buy-and-build approach as preferred value creating strategy. In addition, we observe a significant decline in the fraction of cross-border deals by Belgian acquirers from 36% to 25%.

The major contribution of our yearly M&A monitor is that we present unique insights into the specific Belgian M&A setting that is particularly characterized by small and mid-market deals. While only limited information is publicly available on mid-market M&A, virtually no data is published for really small transactions. Therefore, we present a separate category of data for deals with **a transaction value below €1 million** for the first time. Remarkably, the surveyed professionals are much more positive on growth expectations in this segment of the

market with 2 out of 3 respondents expecting a further growth in 2019. The intensified competition in the mid-market segment might indeed push strategic as well as financial buyers more and more towards smaller deals.

In last year's M&A monitor, we expressed a clear call for caution in terms of multiples paid, questioning whether the elevated acquisition prices still allow to realise returns that outweigh the risks of the transaction. **For the first time in six years, however, we now observe a slight drop in EV/EBITDA multiple** across all Belgian transactions from 6.7 to 6.5 (ranging from an average of 4.4 for deals smaller than €1 million to 9.7 for deals exceeding €100 million). The minor reduction in multiples is mainly driven by the smaller deal categories (below €5 million). Nevertheless, upcoming sellers should not yet panic as the majority of surveyed experts do not yet predict a significant decrease in multiples in 2019.

These observations and many other typical deal, financing and process characteristics are presented and discussed in detail in the remainder of this document. We wish you a pleasant and especially insightful read!



### MATHIEU LUYPART

Professor of Corporate Finance and M&A  
Head of Centre for Mergers, Acquisitions & Buyouts  
Vlerick Business School



### GIANNI SPOLVERATO

Research Associate  
Centre for Mergers, Acquisitions & Buyouts  
Vlerick Business School

# METHOD

The insights presented in this document are based on the online survey responses from **154 Belgian M&A experts**, collected between **28 January and 11 March 2019**. This sample of M&A professionals was gathered through Vlerick's professional network and that of the sponsors of the Centre for Mergers, Acquisitions and Buyouts, supplemented by online searches.

We first present the respondents' insights into the evolution of the Belgian M&A market. We distinguish between different size categories, ranging from deals with a transaction value of less than €1 million to deals with a transaction value greater than €100 million. The subsequent results relate specifically to the transactions that the respondents have been involved in during 2018. Before the survey was sent out, it was tested extensively and verified by practitioners and academics.

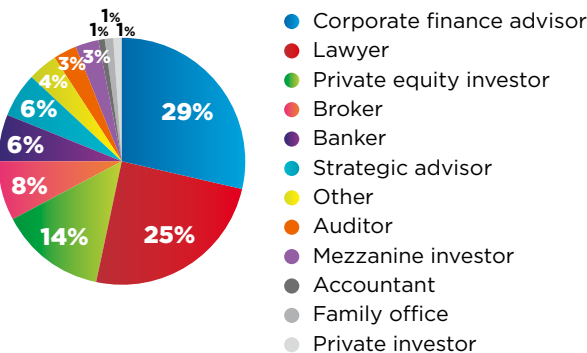
This report provides the aggregated results from our survey. In some cases extreme outliers were removed from the sample.

# ABOUT THE RESPONDENTS

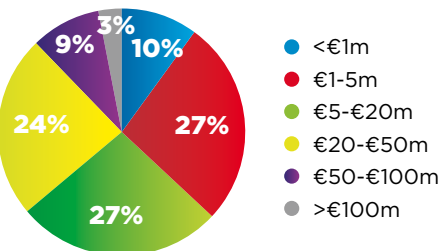
The surveyed experts represent a **comprehensive sample of the entire Belgian M&A market**. They:

- cover a wide variety of professional roles, with corporate finance advisors (29%), lawyers (25%), private equity investors (14%), brokers (8%) and bankers (6%) as the largest groups;
- represent various deal segments: 51% of the respondents are primarily active in M&A with a total deal value between €5 - €50 million, 12% typically work on deals with a value greater than €50 million, and 37% work on small transactions (< €5 million);
- cover a wide range of industries, with the strongest presence in business services (57%), industrial products (40%) and construction (34%);
- have an average of 14 years of professional M&A experience, with a minimum of 1 year and a maximum of 31 years of experience;
- have worked on an average of 9 deals over the 12-month period preceding this survey;
- are active in the three main regions of Belgium (127 in Flanders, 104 in Brussels, and 87 in Wallonia), as well as outside Belgium's borders (63 in Europe, 25 in other regions).

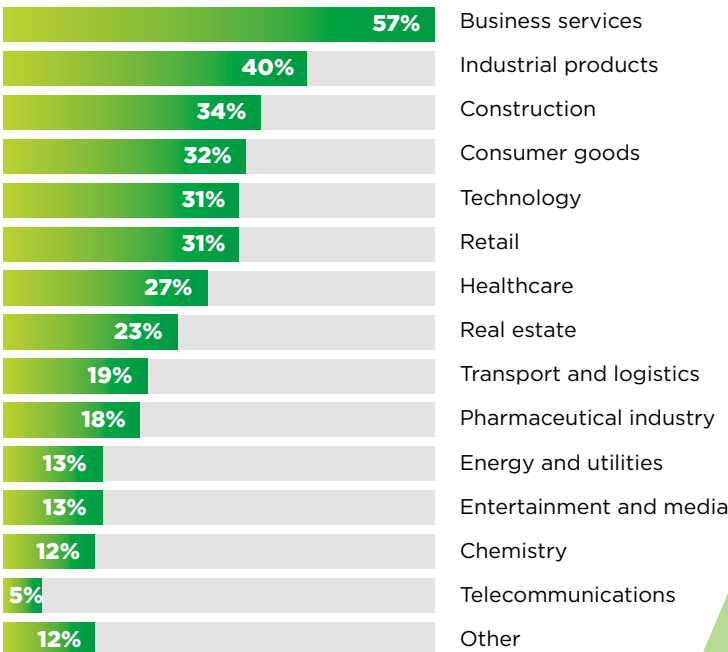
## % RESPONDENTS PER PROFESSIONAL ROLE



## PRIMARY MARKET SEGMENT OF RESPONDENTS - TRANSACTION VALUES



## % RESPONDENTS INVOLVED IN M&A IN A GIVEN SECTOR OVER THE PRECEDING YEAR



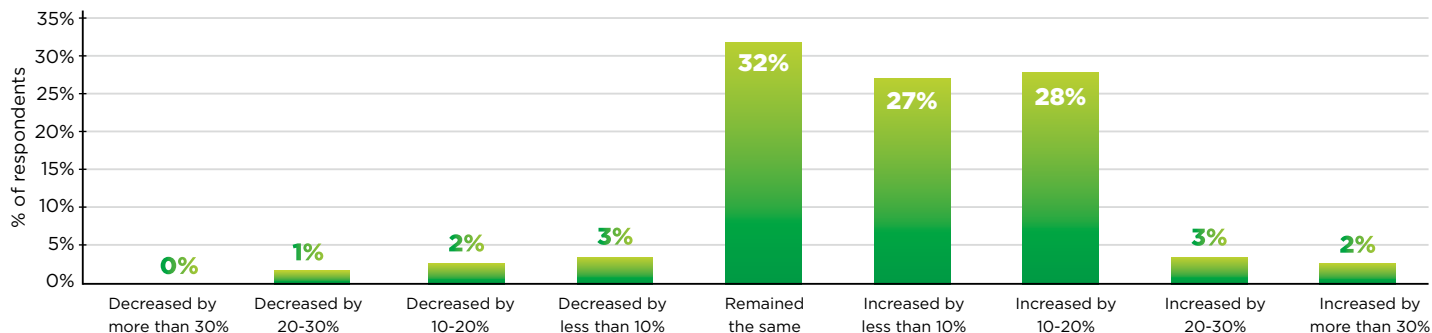
# THE EVOLUTION OF THE BELGIAN M&A MARKET

## BELGIAN M&A ACTIVITY SETS ANOTHER RECORD

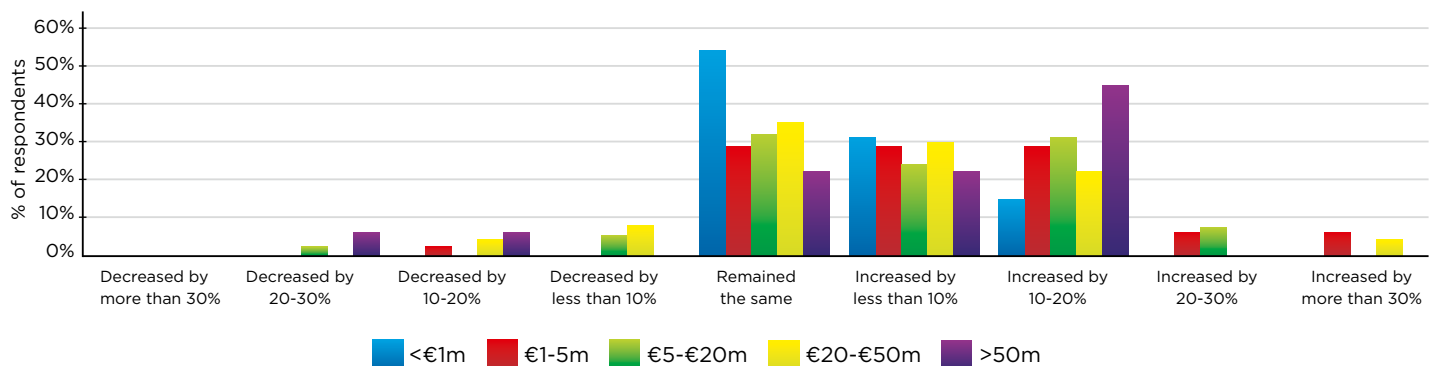
According to the majority of experts, M&A activity reached another record-breaking year in 2018. 60% of the respondents experienced an increase in the number of M&A transactions in Belgium, while only 6% perceived a decline. This ongoing trend is

sustained amongst all size categories, but seems to be most pronounced for deals with a transaction value greater than €50 million, where 67% of the respondents report an increase in the number of M&A deals.

### 2018 EVOLUTION OF NUMBER OF M&A TRANSACTIONS



### 2018 EVOLUTION OF NUMBER OF M&A TRANSACTIONS PER SIZE CATEGORY



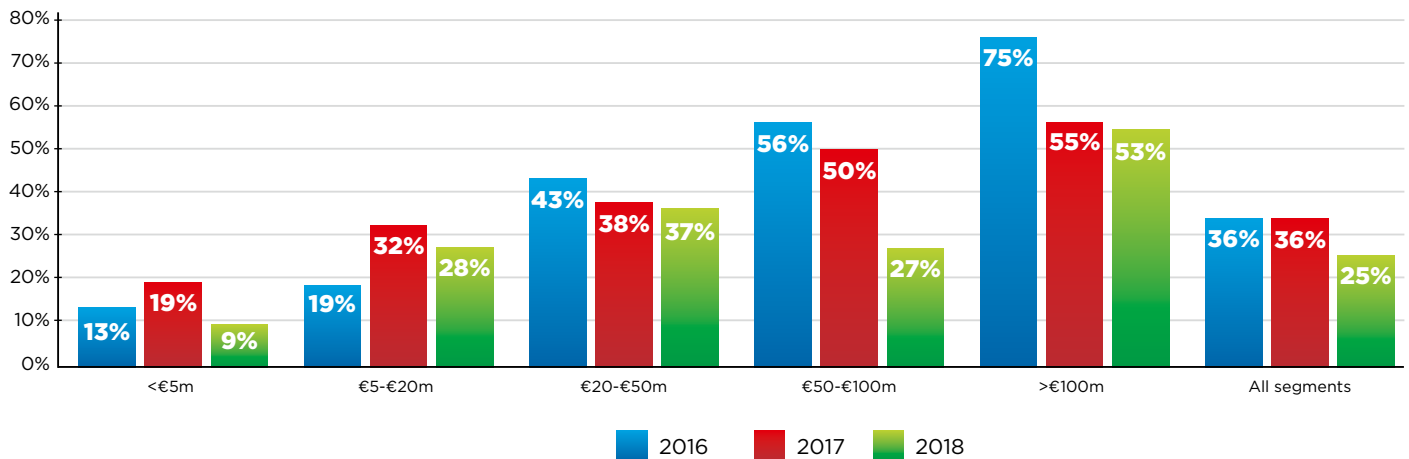


## BELGIAN ACQUIRERS ARE LESS INCLINED TO LOOK FOR CROSS-BORDER TARGETS

Of all the buy-side deals our respondents were involved in during 2018, only 25% were cross-border. This represents a significant drop compared to 36% in 2016 and 2017 and is mainly driven by the larger deal segments. In 2016, 56% of all deals between €50 and €100 million were cross-border, while this percentage plummeted to 27% in 2018.

For the largest deal segment (> €100 million) the fraction of cross-border transactions was 75% in 2016 and only 53% in 2018. These results are in line with the overall concern of many experts that the political uncertainty in countries such as the UK, France and the US puts a constraint on outbound M&A activity.

### % CROSS-BORDER DEALS BY BELGIAN ACQUIRERS

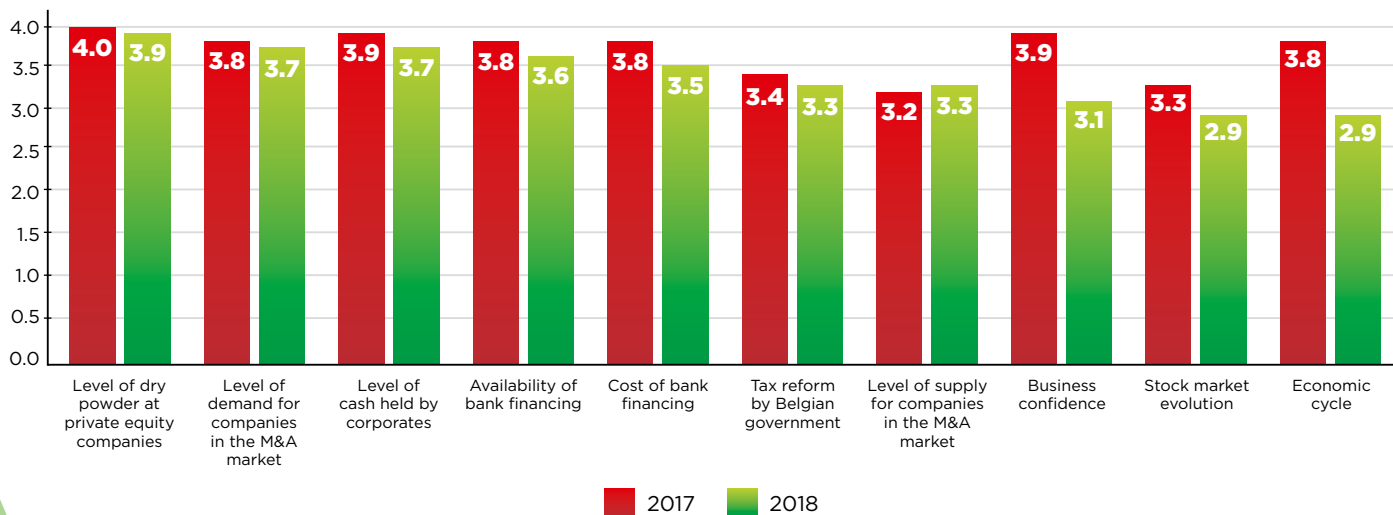


## ABUNDANT CASH HOLDINGS AND STRONG DEMAND KEPT ON FUELLING THE M&A MARKET

We asked the experts to assess the relevance of different M&A drivers on a 5-point scale: significant improvement (5) – improvement (4) – neutral (3) – obstacle (2) – significant obstacle (1). Cash holdings by both private equity players (3.9) and corporates (3.7) in combination with a high level of demand (3.7) on the M&A market seem to be the main drivers behind the growth in deal count for 2018. Furthermore, bank financing is still considered easily available (3.6) and cheap (3.5). The results concerning the supply of companies (3.3) clearly

signal a shortage of qualitative companies that are up for sale. Noteworthy, business confidence (3.1), stock market evolutions (2.9) and the economic cycle (2.9) are considered to be the least important drivers, whereas business confidence and the overall economic environment were still amongst the most important factors in 2017. This shows that many boards, CEOs and investors are becoming more doubtful on the value potential of M&A deals in an uncertain political and economic environment.

### DRIVERS OF M&A ACTIVITY (5-POINT SCALE)

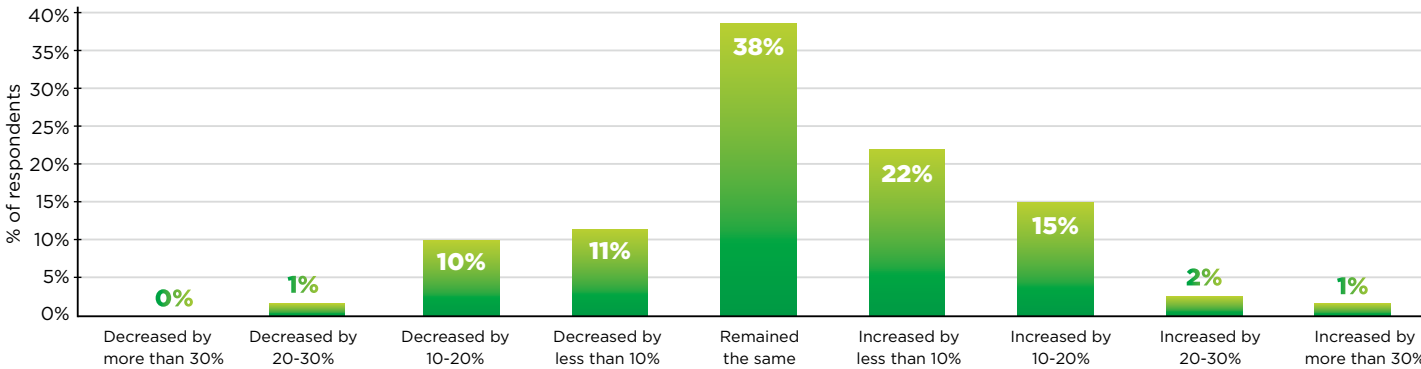


# AN UNCLEAR FUTURE

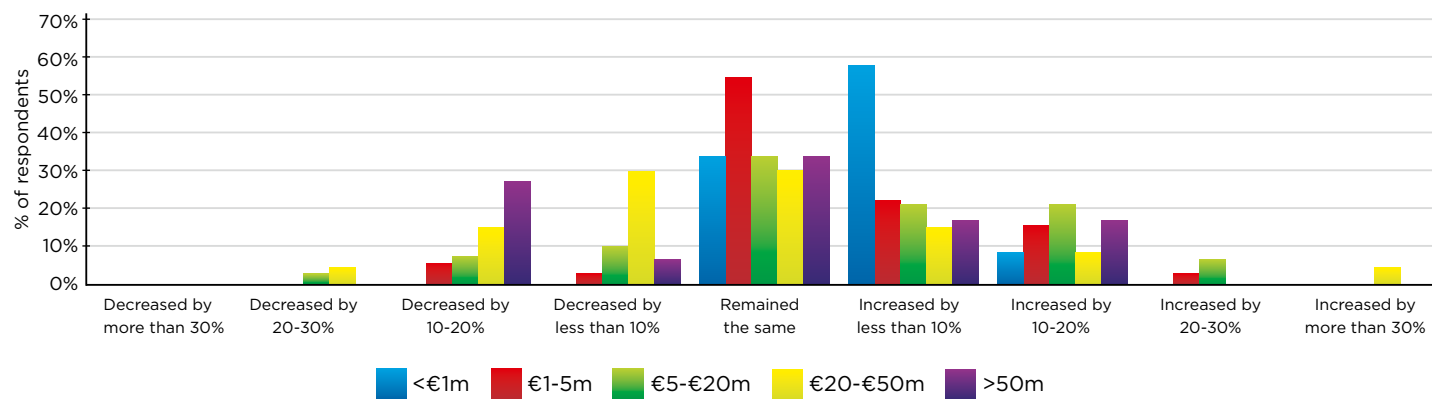
While the majority of our respondents noticed an increase in M&A activity over the past year, the expectations for the future seem to be more ambiguous. Only 40% of the respondents believe that the number of M&A deals will increase for another consecutive year. 38% predict no growth in the number of M&A deals, whereas 22% expect a decline. This uncertainty is mostly driven by the larger deal

segments. Interestingly, two thirds of the respondents active in deals with a transaction value of less than €1 million expect an increase in the total deal count in their segment. Also, within the size bracket of deals between €1 million and €5 million, 93% of the respondents expect either no change or an increase in the number of M&A deals.

EXPECTED EVOLUTION OF THE NUMBER OF M&A TRANSACTIONS IN 2019



**EXPECTED EVOLUTION OF THE NUMBER OF M&A TRANSACTIONS PER SIZE CATEGORY IN 2019**



“

July 2017, Gimv teamed up with Dynamica to invest in Arseus Medical, distributor of medical equipment and consumables. Ambitious teams at both sides felt it was the ideal platform for further acquisitions in a number of specialised sectors, integrating services and thus creating long-term value in a consolidating care sector. The acquisition of Belgian Laméris Group was realised in less than a year after initial investment.

Since entry, Arseus Medical grew substantially: 4 acquisitions resulted in an extended product range and a turnover of +30%. And although the buy-and-build route is an intensive way of growing the company, Arseus is open to additional M&A in the coming years. Synergies & stability are the main drivers to empower this path.

”

**Cedric De Quinamar, Partner Dynamica & Hidde Van Kerckhoven, Associate Gimv**  
**Arseus Medical pursues buy-and-build with the aid of Gimv and Dynamica**

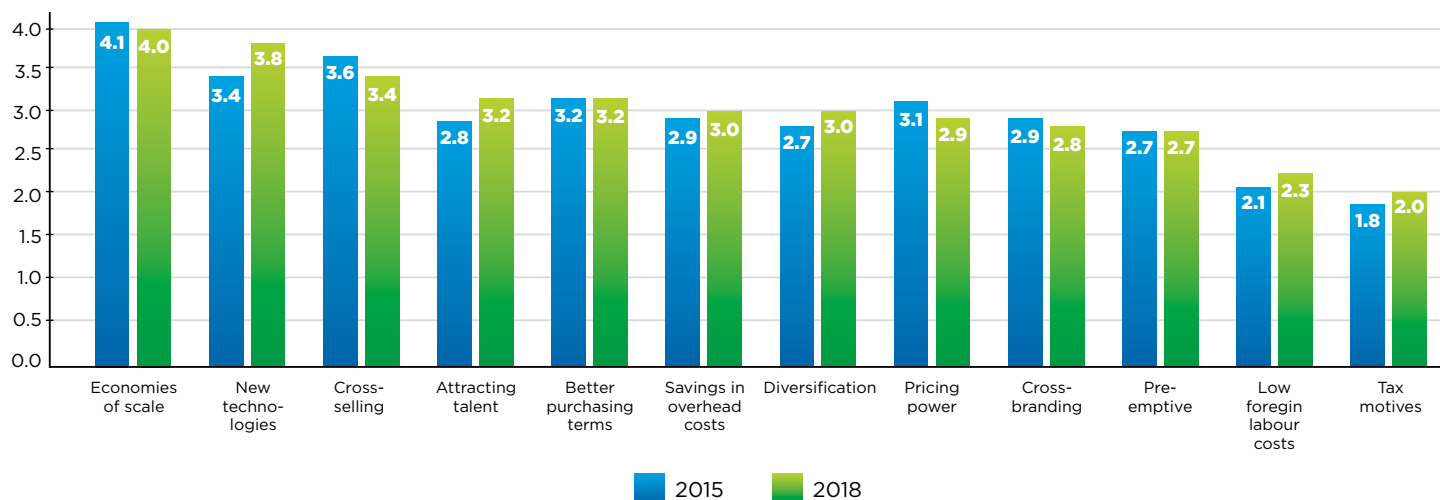


# MOTIVES

While realising economies of scale (4.0) remains the number one motive for strategic buyers according to the surveyed experts, some remarkable changes can be observed over the past three years. Whereas new technologies (3.8) and the attraction of talent (3.2) were ranked third and eighth in 2015, respectively, they are now considered as the second and fourth most important reasons for strategic acquisitions. It thus seems that corporate acquirers are more

and more focussing on the acquisition of valuable intangible assets. Cross-selling (3.4) remains an important motive for M&A activity. Attracting new talent is followed by better purchasing terms (3.2), diversification (3.0) and savings in overhead costs (3.0). Pricing power (2.9), cross-branding (2.8) and pre-emption (2.7) seem to be of less importance. Low foreign labour costs (2.3) and tax advantages (2.0) are rarely a key motive.

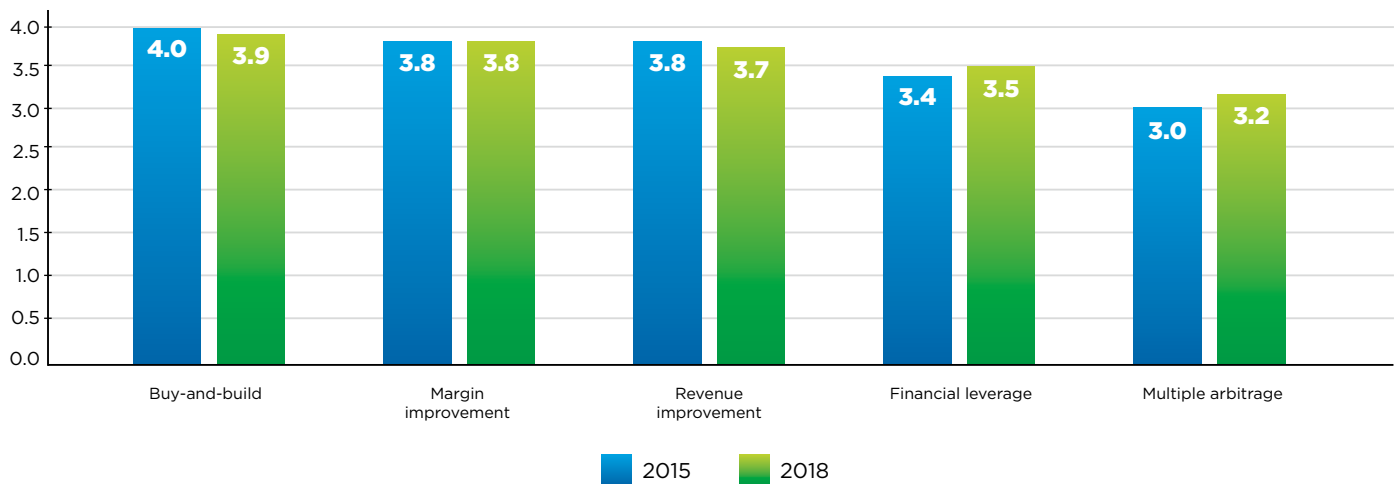
## MOTIVES FOR STRATEGIC BUYERS (5-POINT SCALE)





The strategic focus of financial buyers has remained remarkably stable. Buy-and-build (4.0) is still seen as the main route to value creation, followed by margin (3.8) and revenue improvement (3.7). Value levers that are not directly related to operational improvements, such as financial leverage (3.5) and multiple arbitrage (3.2), are less important criteria in the selection of targets.

#### MOTIVES FOR FINANCIAL BUYERS (5-POINT SCALE)





After several months of fair negotiations, Centran has signed the acquisition of 100% of the shares of its historical partner (and competitor), Genesis Consult.

Our two companies, which are active in the IT services industry, had known each other for a long time by working for common customers before we initiated the acquisition process. Both firms are well established, and have been serving institutional, as well as private customers for several years.

With combined sales of €20 million and a joint workforce of 200+ employees and IT subcontracting freelancers, the acquisition is believed to strengthen our position as a key player for Belgian public and para-public entities, while comforting our private sales.

We are convinced that the strong complementarity of the two companies will lead to success!

**Rodrigue Butaye & Laurent Dullier (left), CEOs of Centran and Philippe Varin (right), CEO of Genesis Consult**



**Acquisition of 100% of the shares of Genesis Consult by Centran**

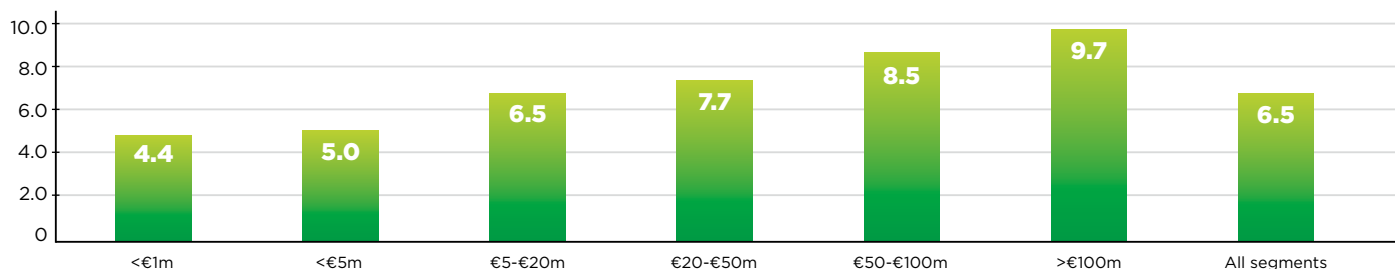


# VALUATION

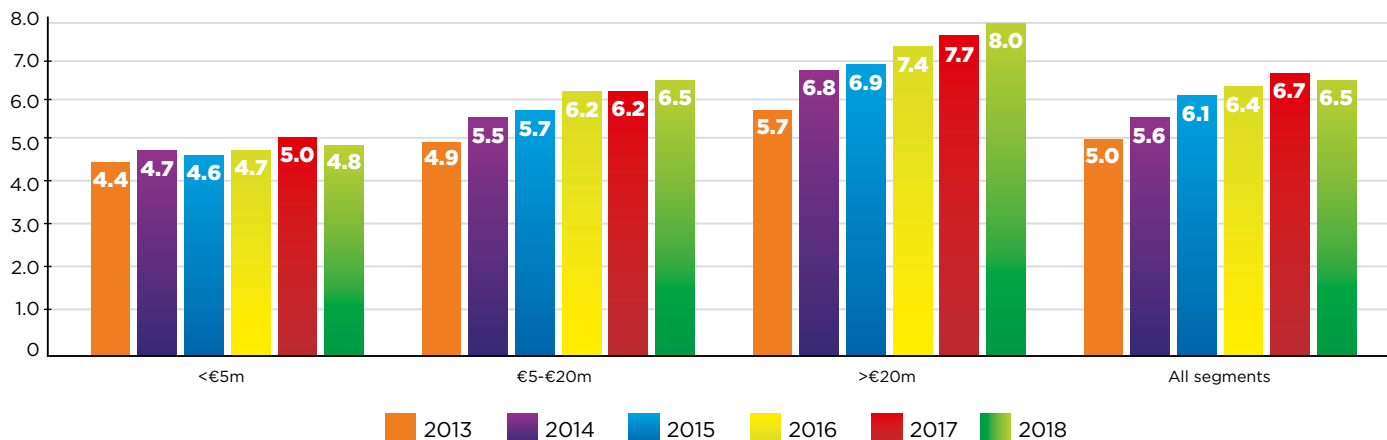
Targets were acquired at an average EV/EBITDA multiple of 6.5. Although representing a small decrease compared to last year, this result is mainly driven by the smaller deal segments. Multiples have been rising in the largest segments for the sixth year in a row. Deals within the size bracket of

€5-€20 million, as well as deals with a transaction value greater than €20 million experienced a 0.3 increase in the multiple. This implies that acquirers within these segments pay 1.6 (€5-€20 million) or 2.3 (> €20 million) times EBITDA more compared to 2013.

## AVERAGE ENTERPRISE VALUE (EV)/EBITDA



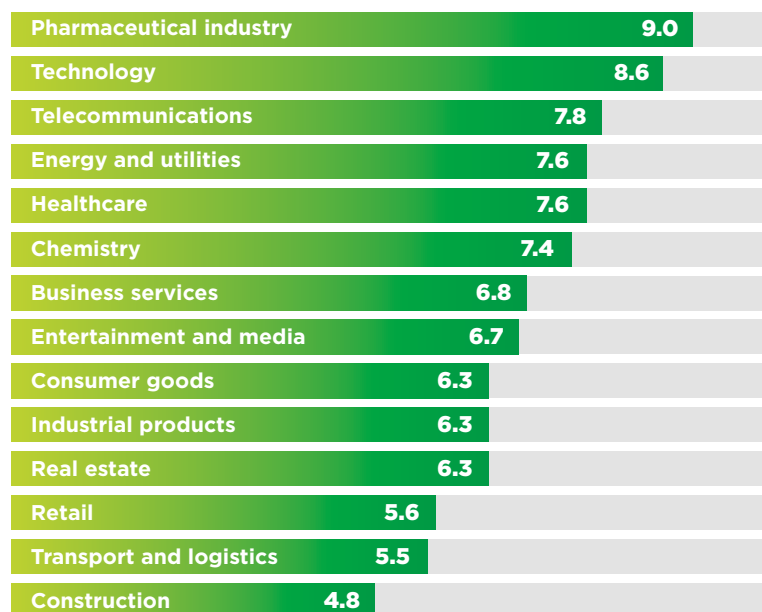
## EVOLUTION EV/EBITDA



There are wide differences across sectors. Companies in scalable and heavily-patented industries such as pharmaceuticals (9.0), technology (8.6) and healthcare (7.6) are the most highly valued. Further, companies within regulated industries such as telecom (7.8), energy and utilities (7.6) and chemistry (7.4) sell well above the average multiple of 6.5. Business services (6.8) and entertainment and media (6.7) rank close

to the average. Companies in more traditional sectors such as consumer goods (6.3), industrial products (6.3) and real estate (6.3) position just below the average EV/EBITDA threshold. The most CAPEX-intensive industries such as retail (5.6), transport and logistics (5.5) and construction (4.8) are acquired at the lowest EBITDA multiples.

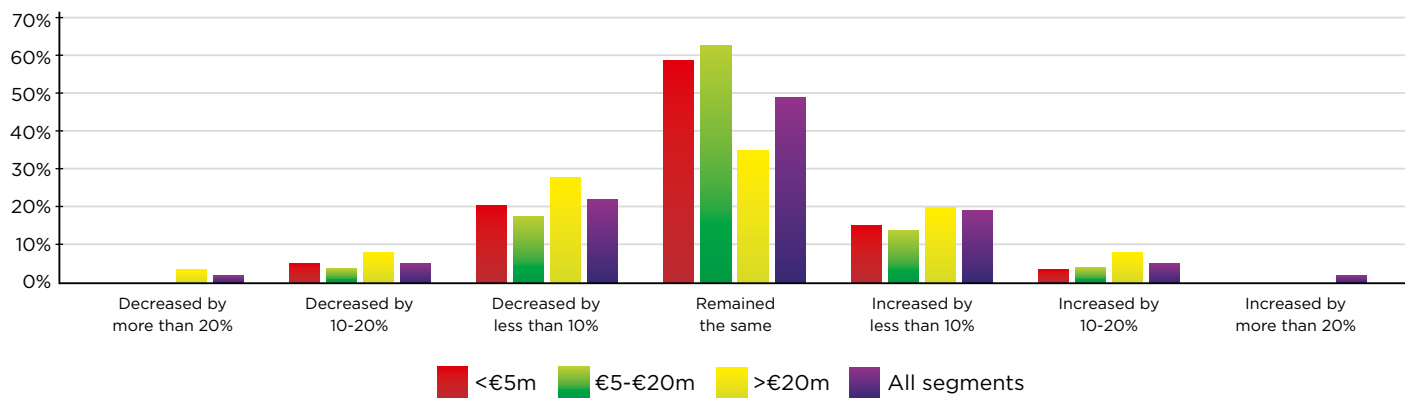
## EV/EBITDA PER INDUSTRY



The uncertainty regarding future M&A activity is also clearly reflected in the expectations on how multiples will evolve. While half of the experts believe that prices will remain stable, a significant fraction of the respondents forecast a slight decrease in multiples in 2019. Mainly professionals in the largest size segment

tend to be sceptical, with 38% expecting a decrease and only 28% expecting an increase. For deals with a transaction value between €5 and €20 million, 20% of the experts expect a decrease, whereas 17% predict an increase. In the smallest segment, 24% expect a decrease and 17% expect an increase.

**EV/EBITDA EXPECTATIONS FOR 2019**



“

In a fast-paced business environment, our company always looks for the best opportunities to address the different challenges we come across. Especially in the real estate B2B segment, we needed a more dedicated approach than our successful B2C network, even if we had already gained some significant market shares and credibility with our brand èggo. With the acquisition of The Kitchen Company, we now have a 100% committed and experienced team capable of meeting all the expectations and needs of real estate developers. We are now covering both sides of the kitchen industry, B2B and B2C, with dedicated brands and teams.

”

**Frédéric Taminiaux (left), CEO èggo, Marc Albert (middle), CEO The Kitchen Company and Philippe Taminiaux (right), Executive Director èggo**  
**Acquisition of 100% of the shares of The Kitchen Company by èggo**



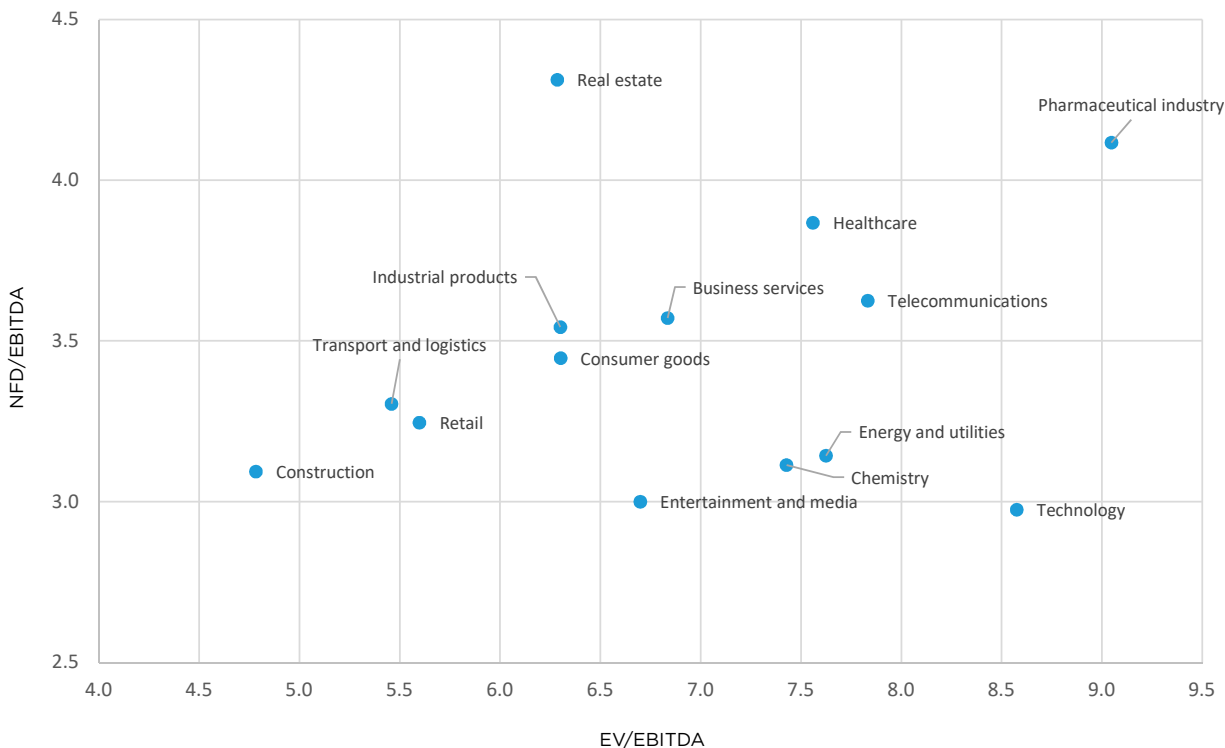


# DEAL STRUCTURING & FINANCING

This section zooms in on the sources of funds used to finance M&A transactions. We examine the typical extent of debt financing in M&A and the required (semi-) equity in MBO/MBI transactions. In addition to upfront financial needs, the deal structure might include delayed payments that are fixed (vendor loans) or that depend on post-M&A performance (earnouts).

We asked respondents about their observed sector average ratio of net financial debt (NFD) to EBITDA to finance M&A transactions. The graph below plots each industry according to their respective NFD/EBITDA-ratio and EV/EBITDA-multiple. The average NFD/EBITDA-ratio is 3.5. More specifically, many of the highest priced industries such as pharmaceuticals

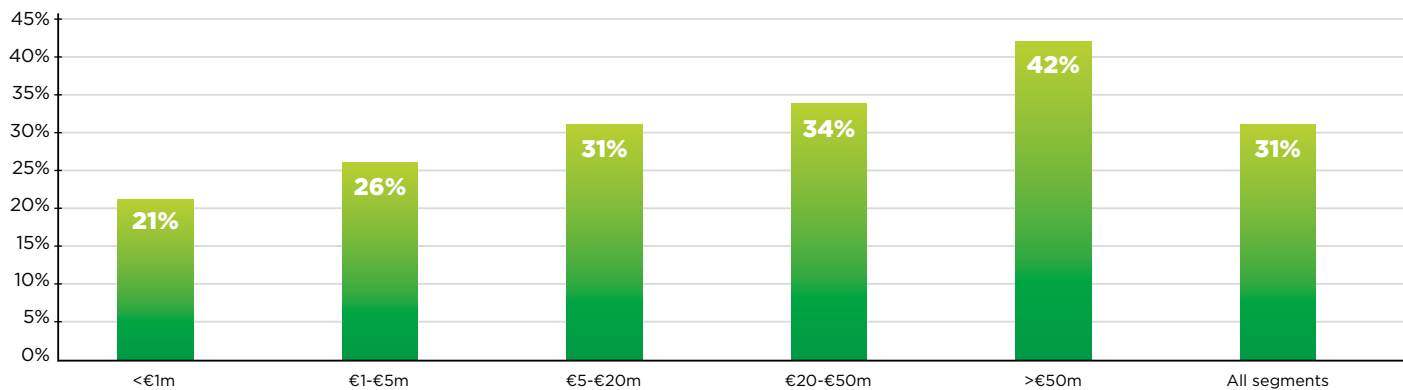
(4.1), healthcare (3.9) and telecom (3.6) tend to have more highly leveraged deal structures. Despite relatively lower valuation multiples, real estate deals are amongst the most leveraged deals (4.3), reflecting the sector's lower risk profile. Business services (3.6), industrial products (3.5) and consumer goods (3.4) centre around the average (3.5). Not surprisingly we find that acquisitions in the technology sector (3.0) are not highly leveraged compared to their multiple, illustrating the higher risk involved in these types of transactions. Retail (3.1), energy and utilities (3.1) and chemistry are significantly below the average. Also, other cyclical industries such as entertainment and media (3.0) and construction (3.1) target lower levels of NFD.



Relatedly, we consider the equity and semi-equity contribution in the acquisition value in MBOs and MBIs. Semi-equity relates to mezzanine-financing such as preference shares and subordinated debt. Our results confirm that debt financing is still abundant in the current economic boom.

The average equity contribution in buy-outs and buy-ins is only around 31%. In line with our expectations, the equity contribution increases with the size of the deal. For the micro-transactions the equity-to-value ratio is 21%, whereas deals with a transaction value above €100 million are usually 42% equity-financed.

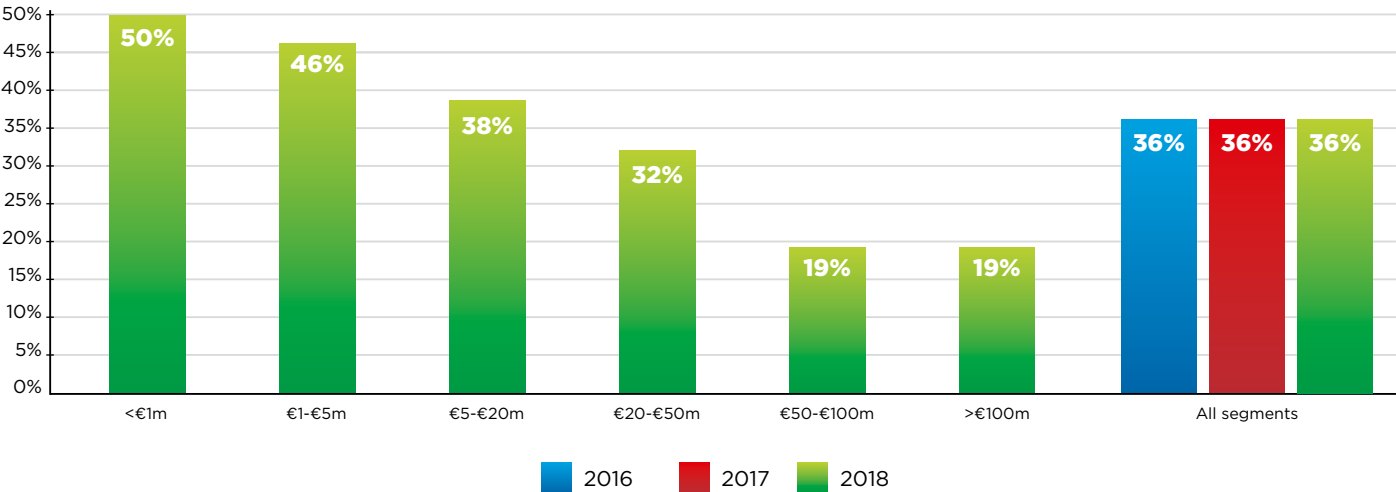
#### **% (SEMI-) EQUITY NEEDED TO FINANCE MBO/MBI**



In 2018 the use of vendor loans remained constant compared to previous years. Vendor loans are most commonly used to finance a part of the transaction

value in smaller deals and are found to finance an average of 18% of the deal value at an average interest rate of 5.16%.

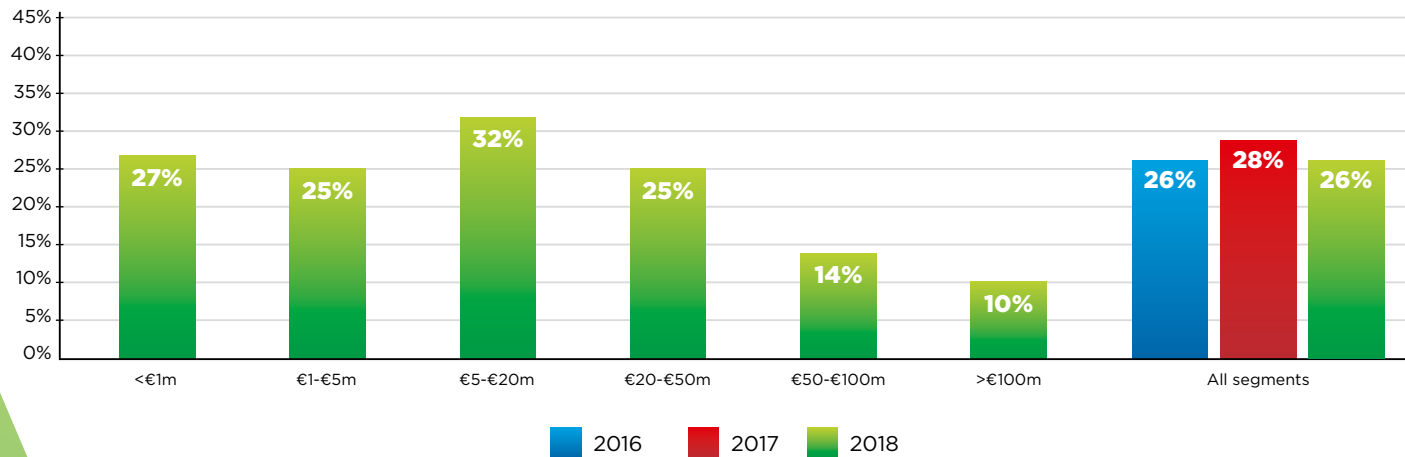
**% OF DEALS INCLUDING VENDOR LOANS**



Similar to 2016, 26% of the deals include an earnout. The use of earnouts has thus remained relatively stable over the last couple of years and tends to be

commonly used across all size segments, except for deals with a transaction value above €50 million.

% OF DEALS INCLUDING EARNOUTS



“

After more than 30 years on the corporate ladder in retail, I decided together with my wife to pursue a long-life dream to become 100% owner of our own company.

Prego was a perfect target: a family-owned company, delivering convenience to an ever-growing aging population and ‘not-readily-Amazonable’. Our 11 cars deliver daily prepared fresh, quality meals to mostly elderly people who are unable or uneasy of preparing their own meals and thus allowing them to stay longer in the comfort of their own home.

Via my experience in retail and logistics and a close, but well defined, cooperation with the previous owner, we are creating value and sustainable growth through professionalisation, digitalization and focus on our core business.

**Aloïs Ooms, CEO Prego**  
**Entrepreneurial buy-out**

”

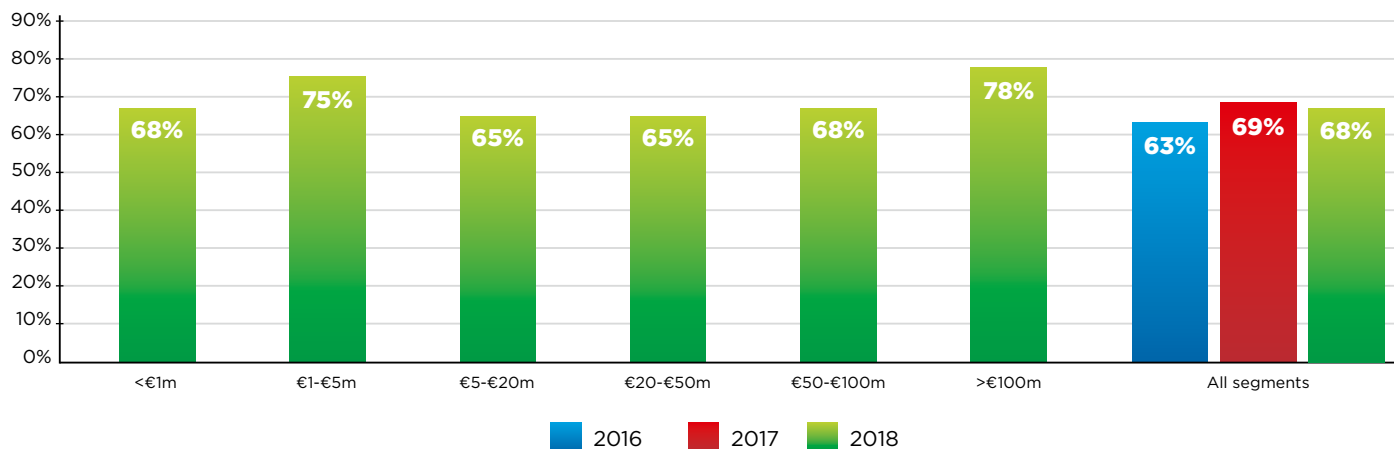


# DEAL PROCESS

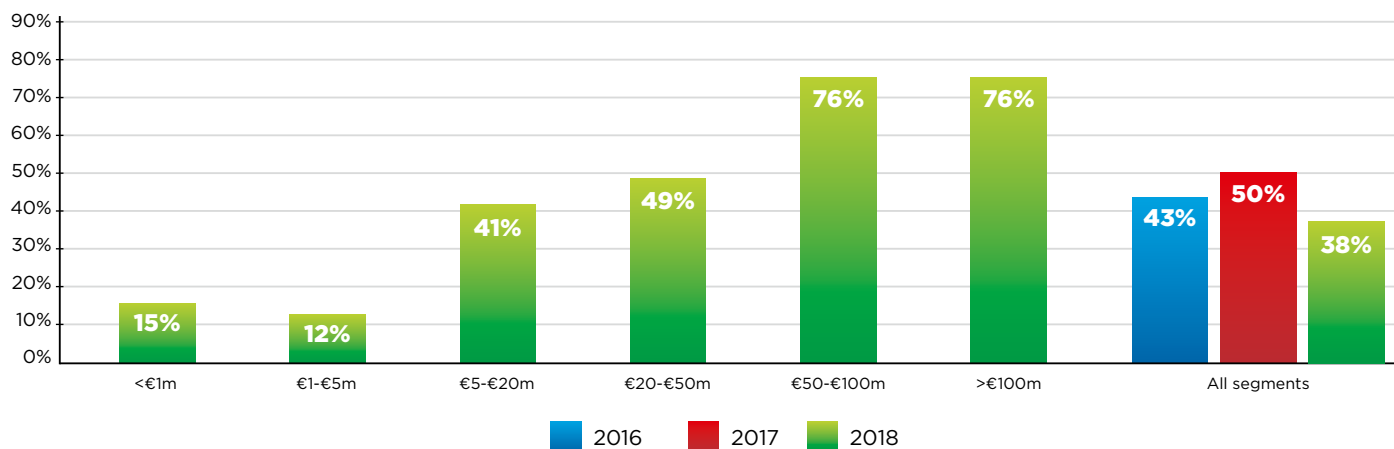
Seller-initiated transactions represent 68% of all deals and remained relatively stable compared to 2017, where the fraction was 69%. Of those transactions, 38% were organised through an auction. Auctions are mainly used in larger transactions and only represent

12% to 15% of the deals with a transaction value lower than €5 million. For deals with a transaction value larger than €50 million, auctions are used in 76% of the deals.

## % SELLER-INITIATED TRANSACTIONS



## % AUCTIONS

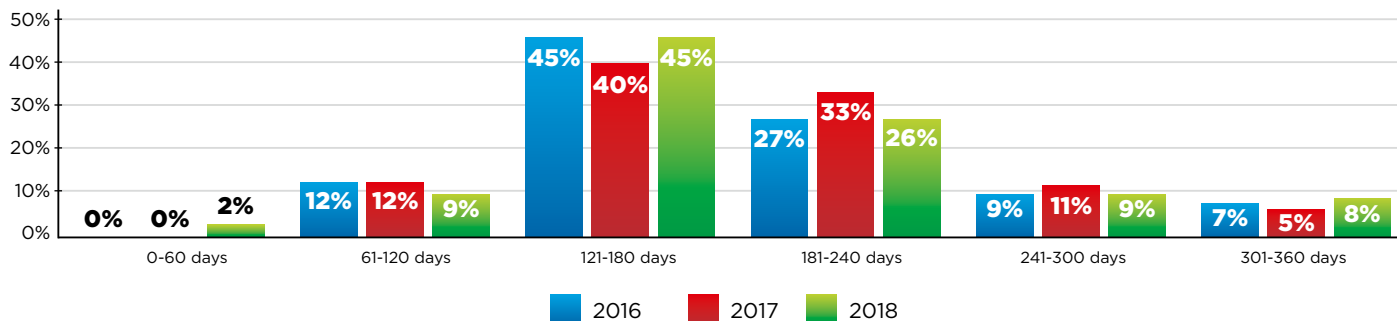




The average M&A process takes around 6 months from first contact to final closing of the Share Purchase Agreement. Overall, we find that the duration of the average M&A process has remained

relatively stable over the past three years. 56% of the respondents report that they were able to close the deal within 6 months.

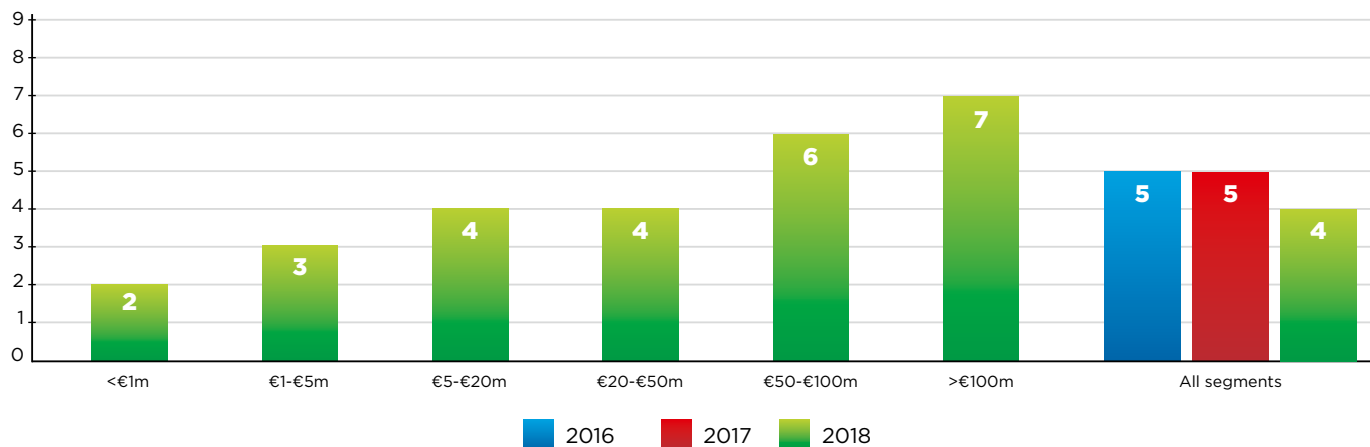
### LENGTH OF THE DEAL PROCESS



The typical M&A deal involved 4 bidders making an indicative offer in 2018. This represents a slight drop compared to the average of 5 bidders in 2016

and 2017. Micro-transactions include an average of 2 bidders, while the largest deals in our sample receive 7 indicative offers on average.

### AVERAGE NUMBER OF BUYERS MAKING INDICATIVE OFFER



# TRENDS & CHALLENGES

## IT IS ALL ABOUT UNCERTAINTY

To Brexit or not to Brexit, yellow vests ravaging Paris, trade tensions between US and China, the Italian government clashing with the EU... Uncertainty is the key word in today's markets, causing a strong fall in stock prices and a sharp drop in global M&A activity by the end of last year. In a Belgian context, the collapse of the government and the uncertain outcome of the next elections might impede a stable tax environment and further worsen the confidence that is needed to engage in substantial investment projects, like acquisitions.



---

FINANCIAL BUYERS WITH A LARGE APPETITE FOR FINANCIAL LEVERAGE MIGHT FACE A SIGNIFICANT RISK OF LOAN COVENANT BREACHES WHEN THE ECONOMIC SITUATION WOULD DETERIORATE.

---

## POCKETS FULL OF MONEY BUT BARELY ANYTHING FOR SALE

As demand keeps on exceeding supply, it remains extremely difficult to put money at work. Private equity firms succeed in raising additional funds, wealthy families and individuals are desperately looking to directly invest their fortunes in the economy and foreign investors show increasing interest in Belgian privately-owned companies, but high-quality targets remain scarce. In addition, aggressive debt financing in some industries further limits the amount of equity invested, leading to unseen levels of dry powder.



---

AUCTIONS ARE (MOST OFTEN) VERY COMPETITIVE AND FINANCIAL INVESTORS SPEND A LOT OF MONEY WITH SMALL CHANCES OF SUCCESS.

---

## SMALL IS SEXY (OR NOT)

Due to an overcrowded mid-size segment and few opportunities for larger deals, strategic as well as financial buyers are increasingly considering deals in the smaller segments. In addition, the baby-boom generation surpassed retirement age and has difficulties to find successors within the family. So, growth on the M&A market mainly must come from family-owned SMEs that need to be sold in the next couple of years. However, these companies typically remain too dependent upon the entrepreneur and are often not well prepared for such a sale. Moreover, the deal process is being complicated due to a lack of qualitative professional sell-side advice in this smaller deal segment.



---

THE CHALLENGES ASSOCIATED WITH A SUCCESSFUL BUSINESS TRANSFER OF SMALLER FAMILY-OWNED SMES COINCIDE WITH MANY OTHER STRUGGLES: SHIFT TO E-COMMERCE, DIGITIZATION, LOWER CONSUMER LOYALTY, CHANGING TRENDS IN CONSUMER PREFERENCES, ETC.

---

## THE HUNT FOR THE “NEXT BIG THING” IS DRIVING TECH ACQUISITIONS

Traditional value levers such as economies of scale and scope, are no longer enough to justify the high multiples being paid. The overall technological disruption in many industries causes investors to increasingly focus on knowhow and other valuable intangibles as important target characteristics. Yet acquirers still need to be wary. According to our survey results tech companies are amongst the most highly valued. Although tech-driven M&A can offer great growth potential, the risks can be substantial. Fortunately, our survey results show that acquisitions in high-tech industries are the least leveraged.



---

THE FEAR OF MISSING OUT ON IMPORTANT TECH ACQUISITIONS CAUSES A RISK OF OVERVALUATION.

---

# FINAL THOUGHTS

## BANK J.VAN BREDA & C°

“As a niche bank for family owned SME’s, the monitor confirms our belief that we are still talking about a seller’s market. Demand also remains fairly high in the SME segment due to low interest rates and the high availability of liquidity. This report provides a realistic picture of the Belgian M&A market, enabling sellers, buyers and advisers to take advantage of these valuable insights.”



**Wannes Gheysen**  
Responsible Advisory  
Bank J. Van Breda & C°

## BDO

“BDO Global Corporate Finance ended 2018 with a 20% increase in the number of completed deals at 1,440 and with a 50% increase in aggregate value of \$81 billion. BDO’s M&A experts forecast 2019 to be much like the end of 2018, namely that there is great promise given the underlying fundamentals of abundant cash and still relatively low interest rates, but this is tempered by trade policy, political polarization and economic uncertainty.”



**Veerle Catry**  
Partner  
BDO

## GIMV

“In a world with ever-increasing volatility, companies continuously need to adapt to the changing environment. The safe harbor of a traditional USP or historical barrier to entry is being challenged by disruptive and asset light business models, changing distribution channels, power of digital & social and lower customer switching costs. A typical example are big global consumer brands - with high historical marketing spend - losing market share to non-traditional, online savvy consumer brands. The latter often benefit from a local appeal or an international niche community that can be reached without own production, logistics, nor expensive advertising campaigns. To put it extremely, the incumbent is threatened by a death by a thousand cuts.

Next to increasing their own agility, companies will therefore resort to new forms of partnerships. Strategic M&A, sometimes expressed as an explicit buy & build target, is high on the agenda with many companies, especially when backed by a financial sponsor. The observations of the monitor and participants clearly confirm this trend.”



### Gimv

Building leading companies.

**Dirk Dewals**  
Managing Partner  
Gimv

## NAUTADUTILH

“Deal volume continued to rise in 2018 and multiples remained high, indicating that the M&A market is still seller-driven. Looking forward, however, the M&A Monitor warns of a possible drop in M&A activity due to the uncertainty that characterizes today’s markets, caused by factors such as Brexit, trade wars and yellow vests. This forecast is confirmed by NautaDutilh Belgium’s Private Equity & Venture Capital Barometer for Q4 2018, which adds to that list the entry into force of the GDPR as a possible factor of uncertainty. Indeed, stricter compliance norms may require more extensive due diligence, thereby obliging sellers to accept more specific indemnities.”



● **NautaDutilh**

**Maxime Colle**  
Local Partner  
NautaDutilh



BRUSSELS - GHENT - LEUVEN  
VLERICK BUSINESS SCHOOL - THE BUSINESS SCHOOL OF GHENT UNIVERSITY AND KU LEUVEN  
STICHTING VAN OPENBAAR NUT - PUBLIC UTILITY FOUNDATION - VAT BE 0424 244 049  
HQ: REEP 1 - 9000 GHENT - BELGIUM - T + 32 9 210 97 11  
INFO@VLERICK.COM - WWW.VLERICK.COM